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NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

PAID UP OIL AND GAS LEASE L 0 2 1 7 6 2 1

THIS AGREEMENT ("Lease") dated this 30 day of January, 2009, and made effective August 18, 2008, between David H. Murdock dba International Mining Company, a sole proprietorship ("Lessor"), whose address is: 10900 Wilshire Blvd., Suite 1600, Los Angeles, CA 90024 and Chesapeake Exploration, L.L.C., an Oklahoma limited liability company, whose address is: P.O. Box 18496, Oklahoma City, OK 73154 ("Lessee").

WITNESSETH:

1. **Granting Clause.** Lessor, in consideration of ten and no/100 dollars (\$10.00) in hand paid, and other, good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and of the covenants and agreements of Lessee hereinafter contained, does hereby grant, lease and let unto Lessee the land, located in the County of Tarrant, State of Texas and described on **Exhibit "A"** attached hereto and made part hereof, for the purposes and with the exclusive right of exploring, drilling, mining and operating for, producing oil and gas, together with the right to make surveys on said land, lay pipe lines, establish and utilize facilities for surface or subsurface disposal of salt water, construct roads and bridges, dig canals, build tanks, power stations, telephone lines, and other structures on said land, necessary or useful in Lessee's operations in exploring, drilling for, producing, treating, storing and transporting minerals produced from the land covered hereby. The land covered hereby, herein called said "land" or "lands."

SEE ATTACHED ADDENDUM FOR ADDITIONAL PROVISIONS

The foregoing grant and all the other provisions contained in the body of this Lease are expressly subject to all the provisions of the Addendum attached hereto and made part hereof, including without limitations the reservations and exceptions set forth therein.

2. **Primary Term.** Subject to the other provisions of this Lease including, without limitation, Section II A of the Addendum, this Lease shall remain in force for a term of one (1) year from the date hereof (such term together with any extensions pursuant to this paragraph 2 are hereinafter called "**primary term**"), and as long thereafter as oil or gas are produced in paying quantities from said land or this Lease is otherwise maintained in effect pursuant to the provisions hereof. The Lessee shall have the right, but not the obligation, to extend said original one-year term for one additional one-year period by giving Lessor, no later than sixty (60) days prior to the expiration of the then existing lease term, written notification of the Lessee's election

to exercise such right to extend and a cashier's check payable to Lessor for an amount equal to an additional \$2,000.00 per net mineral acre. Subsequent to the additional one-year extension period described above, Lessee shall have the option to extend the lease for an additional one-year period, provided Lessee makes notice and payment to Lessor on the same terms and conditions as provided above subject to Lessor's prior written consent.

3. **Royalties.** As royalty, Lessee covenants and agrees: (a) To deliver to the credit of Lessor, in the pipe line to which Lessee may connect its wells, one-fourth (1/4) of all oil produced and saved by Lessee from said land, or from time to time, at the option of Lessee, to pay Lessor the average posted market price of such one-fourth (1/4) of such oil at the wells as of the day it is run to the pipe line or storage tanks, Lessor's interest, in either case, to bear one-fourth (1/4) of the cost of treating oil to render it marketable pipe line oil; and (b) To pay Lessor on gas and casinghead gas produced from said land (1) when sold by Lessee, one-fourth (1/4) of the amount realized by Lessee, or (2) when used by Lessee off said land or in the manufacture of gasoline or other products, the market value, at the mouth of the well, of one-fourth (1/4) of such gas and casinghead gas. The amount realized shall include any bonuses or monies received by Lessee to make gas available to any future purchaser, and, in the case of a prepayment or advance payment received for gas to be delivered in the future, the amount of the prepayment or advance payment at the time received by Lessee, regardless of when relevant gas is produced. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, Lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to Lessee.

4. **Shut In Royalties.** If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of ninety (90) consecutive days, and during such time there are no operations on said land, then at or before the expiration of said ninety day period, Lessee shall pay or tender, by check or draft of Lessee, as royalty, a sum equal to the greater of (i) Seventy-Five Dollars (\$75.00) or (ii) one dollar (\$1.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this Lease is being continued in force solely by reason of the provisions of this paragraph. Each such payment or tender shall be made to the parties who at the time of payment would be entitled to receive the royalties which would be paid under this Lease if the wells were producing, and may be paid to Lessor(s), including successors and assigns, directly at the address set forth in the Addendum, or to a depository bank if so designated by Lessor, in writing to Lessee (such designation will be binding on Lessee until Lessee receives written notice of a change in such depository bank). If at any time that Lessee pays or tenders shut-in royalty, two or more parties are, or claim to be, entitled to receive same, Lessee may, in lieu of any other method of payment herein provided, pay or tender such shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownership thereof, as Lessee may elect. Any payment hereunder may be made by check or draft of Lessee deposited in the mail or delivered to the party entitled to receive payment or if designated by Lessor, to a depository bank as provided for above on or before the last date for payment. Nothing herein shall impair Lessee's right to release as provided in paragraph 6 hereof.

5. **Pooling.** Lessee is hereby granted the right, at its option, to pool or unitize any land covered by this Lease with any other land covered by this Lease, and/or with any other land, lease, or leases, as to any or all minerals or horizons, so as to establish units containing not more than 40 surface acres; provided, however, units may be established as to any one or more horizons, or existing units may be enlarged as to any one or more horizons, so as to contain not more than 160 (or for horizontal drilling, 640) surface acres, if limited to one or more of the following: (1) gas, other than casinghead gas, (2) liquid hydrocarbons (condensate) which are not liquids in the subsurface reservoir, or (3) minerals produced from wells classified as gas wells by the conservation agency having jurisdiction. If larger units than any of those herein permitted, either at the time established, or after enlargement, are required under any governmental rule or order, for the drilling or operation of a well at a regular location, or for obtaining maximum allowable from any well to be drilled, drilling, or already drilled, any such unit may be established or enlarged to conform to the size required by such governmental order or rule. Lessee shall exercise said option as to each desired unit by executing an instrument identifying such unit and filing it for record in the public office in which this Lease is recorded. Each of said options may be exercised by Lessee at any time and from time to time while this Lease is in force, and whether before or after production has been established either on said land, or on the portion of said land included in the unit, or on other land unitized therewith. A unit established hereunder shall be valid and effective for all purposes of this Lease even though there may be mineral, royalty, or leasehold interests in lands within the unit which are not effectively pooled or unitized. There shall be allocated to the land covered by this Lease within each such unit (or to each separate tract within the unit if this Lease covers separate tracts within the unit) that proportion of the total production of unitized minerals from the unit, after deducting any used in lease or unit operations, which the number of surface acres in such land (or in each such separate tract) covered by this Lease within the unit bears to the total number of surface acres in the unit, and the production so allocated shall be considered for all purposes, including payment or delivery of royalty, overriding royalty and any other payments out of production, to be the entire production of unitized minerals from the land to which allocated in the same manner as though produced therefrom under the terms of this Lease. The owner of the reversionary estate of any term royalty or mineral estate agrees that the accrual of royalties pursuant to this paragraph or of shut-in royalties from a well on the unit shall satisfy any limitation of term requiring production of oil or gas. The formation of any unit hereunder which includes land not covered by this Lease shall not have the effect of exchanging or transferring any interest under this Lease (including, without limitation, any shut-in royalty which may become payable under this Lease) between parties owning interests in land covered by this Lease and parties owing interests in land not covered by this Lease. Neither shall it impair the right of Lessee to a release as provided in paragraph 6 hereof, except that Lessee may not release lands within a unit while there are operations thereon for unitized minerals unless all pooled leases are released as to lands within the unit. At any time while this Lease is in force Lessee may dissolve any unit established hereunder by filing for record in the public office where this Lease is recorded a declaration to that effect, if at that time no operations are being conducted thereon for unitized minerals. Subject to the provisions of this paragraph 5, a unit once established hereunder shall remain in force so long as any lease subject thereto shall remain in force. If this Lease now or hereafter covers separate tracts, no pooling or unitization of royalty interests as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this Lease but Lessee shall nevertheless have the right to pool or unitize as provided in

this paragraph 5 with consequent allocation of production as herein provided. As used in this paragraph 5, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the lands.

6. **Lessee May Release Lease.** Lessee may, at any time and from time to time, execute and deliver to Lessor or file for record a release or releases of this Lease as to any part or all of said land or of any mineral or horizon thereunder, and thereby be relieved of all obligations, as to the released acreage or interest.

7. **Assignment.** All of the covenants, obligations, and considerations of this Lease shall extend to and be binding upon the parties hereto, their heirs, successors, assigns, and successive assigns. No change or division in the ownership of said land, royalties, or other moneys, or any part thereof, howsoever effected, shall increase the obligations or diminish the rights of Lessee, including, but not limited to, the location and drilling of wells and the measurement of production. Notwithstanding any other actual or constructive knowledge or notice thereof of or to Lessee, its successors or assigns, no change or division in the ownership of said land or of the royalties, or other monies, or the right to receive the same, howsoever effected, shall be binding upon the then record owner of this Lease until thirty (30) days after there has been furnished to such record owner at his or its principal place of business by Lessor or Lessor's heirs, successors, or assigns, notice of such change or division, supported by either originals or duly certified copies of the instruments which have been properly filed for record and which evidence such change or division, and of such court records and proceedings, transcripts, or other documents as shall be necessary in the opinion of such record owner to establish the validity of such change or division. If any such change in ownership occurs by reason of the death of the owner, Lessee may, nevertheless, pay or tender such royalties or other moneys, or part thereof, to the credit of the decedent in a depository bank provided for above if such bank has been designated by Lessor, or if not, in a depository bank designated by the personal representative of the decedent. In the event of an assignment of this Lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owner or owners of this Lease, severally as to acreage owned by each.

8. **Mortgages, Liens and Charges.** Lessor's rights and interests hereunder shall be charged proportionately with any mortgages, taxes or other liens, or interest and other charges burdening Lessor's interest in said land, but Lessor agrees that Lessee shall have the right at any time to pay or reduce same for Lessor, either before or after maturity, and be subrogated to the rights of the holder thereof and to deduct amounts so paid from royalties or other payments payable or which may become payable to Lessor and/or assigns under this Lease.

9. **Proportionate Reduction of Royalties.** If this Lease covers a less interest in the oil and gas, in all or any part of said land than the entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties and other moneys accruing from any part as to which this Lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this Lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this Lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided.

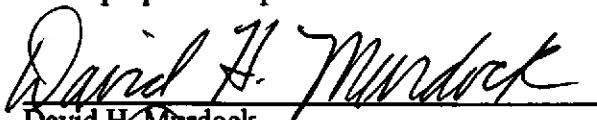
10. **Limited Extension of Primary Term for Force Majeure.** If, while this Lease is in force, after the expiration of the primary term hereof, it is not being continued in force by reason of the shut-in well provisions of paragraph 4 hereof, and Lessee is not conducting operations on said land by reason of any law, order, rule or regulation, (whether or not subsequently determined to be invalid) or Act of God, the primary term hereof shall be extended until ninety (90) days following the removal of such delaying cause, and this Lease may be extended thereafter by operations as if such delay had not occurred.

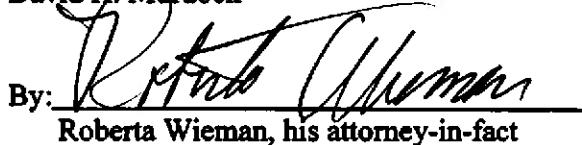
11. **Execution.** This Lease shall be binding upon each party who executes it without regard to whether it is executed by all those named herein as Lessor.

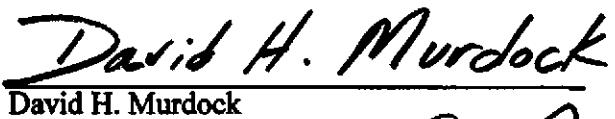
IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease to be executed the day and year first above written.

LESSOR:

DAVID H. MURDOCK dba
INTERNATIONAL MINING COMPANY,
a sole proprietorship


David H. Murdock

By: 
Roberta Wieman, his attorney-in-fact


David H. Murdock

David H. Murdock

By: 
Edward C. Roohan, his attorney-in-fact

LESSEE:

CHESAPEAKE EXPLORATION, L.L.C.

By: 
Henry J. Hood, Senior Vice President -
Land and Legal & General Counsel



ACKNOWLEDGEMENTS

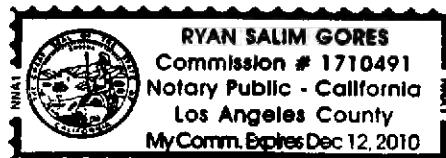
STATE OF CALIFORNIA)

COUNTY OF LOS ANGELES)

On 2/14, 2009, before me, Ryan Salim Gores,
a Notary Public in and for said State, personally appeared Edward C. Roohan,
personally known to me (or proved to me on the basis of satisfactory evidence) to be the
person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their
signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s)
acted, executed the instrument.

WITNESS my hand and official seal.

Ryan Salim Gores (Seal)



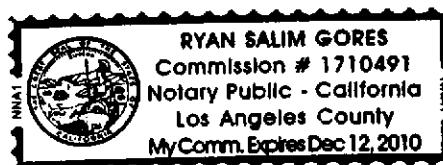
STATE OF CALIFORNIA)

COUNTY OF LOS ANGELES)

On 2/14, 2009, before me, Ryan Salim Gores,
a Notary Public in and for said State, personally appeared Pheeta Wrenay,
personally known to me (or proved to me on the basis of satisfactory evidence) to be the
person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that
he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their
signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s)
acted, executed the instrument.

WITNESS my hand and official seal.

Ryan Salim Gores (Seal)



STATE OF OKLAHOMA §

§

COUNTY OF OKLAHOMA §

§

This instrument was acknowledged before me on this 9th day of February, 2009
by Henry J. Hood, as Senior Vice President – Land and Legal & General Counsel of Chesapeake
Exploration, L.L.C on behalf of said limited liability company.

My Commission Expires: _____
Commission Number: _____



Notary Public

Brenda L. Johnson

EXHIBIT "A"

METES & BOUNDS DESCRIPTION

Being a 69.066 acre tract of land situated in the William H. Little Survey, Abstract Number 945, the John Little Survey, Abstract Number 958, the R. Briggs Survey, Abstract Number 116, and the Heirs of Felix G. Mulliken Survey, Abstract Number 1045, Tarrant County, Texas, containing a gross computed area of 3,008,508 square feet or 69.066 acres, save and except the following tract described as **SAVE & EXCEPT TRACT**, resulting in a net computed area of 2,798,165 square feet or 64.237 acres, said 69.066 acre tract of land being more particularly described as follows:

COMMENCING at the intersection of the centerline of Live Oak Street (a 50 foot right-of-way) with the centerline of Belknap Street (a variable width right-of-way);

THENCE with the centerline of Belknap Street, North $59^{\circ}14'11''$ East a distance of 452.39 feet to the centerline of Wilderman Street (a 50 foot right-of-way) for the POINT OF BEGINNING;

THENCE departing the centerline of Belknap Street with the centerline of Wilderman Street North $17^{\circ}00'00''$ West a distance of 615.19 feet to the centerline of Peach Street (a 60 foot right-of-way);

THENCE departing the centerline of Wilderman Street with the centerline of Peach Street South $60^{\circ}00'00''$ West a distance of 102.57 feet;

THENCE departing the centerline of Peach Street North $17^{\circ}00'00''$ West a distance of 240.79 feet;

THENCE South $60^{\circ}00'00''$ West a distance of 95.39 feet;

THENCE North $17^{\circ}00'00''$ West a distance of 185.39 feet;

THENCE South $60^{\circ}00'00''$ West at a distance of 305.00 feet passing the easterly right-of-way line of the Union Pacific Rail Road continuing in all a distance of 407.14 feet to the westerly right-of-way line of the Union Pacific Rail Road (a variable width right-of-way, 100 feet wide at this point);

THENCE with the westerly right-of-way line of Union Pacific Rail Road the following courses and distances:

North $18^{\circ}15'19''$ West a distance of 367.51 feet to the beginning of a tangent curve to the right having a central angle of $10^{\circ}19'59''$, a radius of 5943.79 feet, a chord bearing of North $12^{\circ}56'33''$ West, and a chord distance of 1070.49 feet;

With said tangent curve to the right an arc distance of 1071.95 feet to the end of curve;

South $59^{\circ}38'41''$ West a distance of 27.70 feet;

North 04°46'19" West a distance of 154.54 feet;
North 41°38'19" West a distance of 283.82 feet;
North 39°57'53" West a distance of 62.48 feet;
North 39°53'19" West a distance of 116.30 feet;
North 38°12'19" West a distance of 100.00 feet;
North 36°58'19" West a distance of 100.00 feet;
North 36°06'19" West a distance of 100.00 feet;
North 34°33'19" West a distance of 100.00 feet;
North 33°12'19" West a distance of 100.00 feet;
North 31°54'19" West a distance of 100.00 feet;
North 30°58'19" West a distance of 100.00 feet;
North 30°55'19" West a distance of 100.00 feet;
North 30°51'35" West a distance of 350.87 feet;
North 31°43'52" West a distance of 93.06 feet;
North 30°23'34" West a distance of 83.97 feet;
North 30°20'50" West a distance of 137.41 feet;

THENCE departing the westerly right-of-way line of Union Pacific Rail Road North 59°39'10" East a distance of 185.71;

THENCE North 89°16'46" East a distance of 218.13 feet to the intersection of the easterly right-of-way line of the Union Pacific Rail Road with the northerly right-of-way line of Swift Street (a variable width right-of-way);

THENCE South 30°59'33" East a distance of 38.85 feet to the centerline of Swift Street;

THENCE with the centerline of Swift Street North 88°58'34" East a distance of 566.08 feet to the west right-of-way line of Cold Springs Road;

THENCE with the west right-of-way line of Cold Springs Road North 02°21'18" West a distance of 30.56 feet to the north right-of-way line of Swift Street;

THENCE departing the westerly right-of-way line of Cold Springs Road North 89°16'46" East a distance of 84.89 feet to the westerly right-of-way line of the Union Pacific Rail Road;

THENCE with the westerly right-of-way line of the Union Pacific Rail Road North 04°34'46" West a distance of 91.80 feet;

THENCE departing the westerly right-of-way line of the Union Pacific Rail Road North 71°19'30" East a distance of 83.27 feet to the easterly right-of-way line of the Union Pacific Rail Road;

THENCE with the easterly right-of-way line of Union Pacific Rail Road the following courses and distances:

South 16°01'20" East a distance of 884.14 feet;

North 30°47'29" East a distance of 14.18 feet;

South 06°35'55" East a distance of 890.06 feet;

South 59°47'46" West a distance of 81.76 feet to the beginning of a non-tangent curve to the left having a central angle of 6°11'10", a radius of 5933.00 feet, a chord bearing of South 37°27'32" East, and a chord distance of 640.27 feet;

With said non-tangent curve to the left an arc distance of 640.58 feet to the end of curve;

North 59°22'36" East a distance of 355.04 feet;

South 30°32'28" East a distance of 929.07 feet;

South 59°24'28" West a distance of 346.02 feet to the beginning of a non-tangent curve to the right having a central angle of 9°08'00", a radius of 5438.79 feet, a chord bearing of South 19°34'48" East, and a chord distance of 866.07 feet;

With said non-tangent curve to the right an arc distance of 866.99 feet to the centerline of Belknap Street;

THENCE with the centerline of Belknap Street South 59°14'11" West a distance of 290.39 feet to the POINT OF BEGINNING. Containing a gross computed area of 3,008,508 square feet or 69.066 acres, save and except the following tract described as SAVE & EXCEPT TRACT, resulting in a net computed area of 2,798,165 square feet or 64.237 acres of land.

SAVE & EXCEPT TRACT

Being a 4.829 acre tract of land situated in the William H. Little Survey, Abstract Number 945, the John Little Survey, Abstract Number 958, and the R. Briggs Survey, Abstract Number 116, Tarrant County, Texas, said 4.829 acre tract of land being more particularly described as follows:

COMMENCING at the northeast corner of Lot 1, Block 1, Tarrant County Community Service Facility recorded in Cabinet A, Slide 8239, Plat Records, Tarrant County, Texas;

THENCE South 35°22'42" East a distance of 58.03 feet to the centerline of Cold Springs Road (a 60 foot right-of-way) and the POINT OF BEGINNING;

THENCE with the centerline of Cold Springs Road South 04°14'59" East a distance of 730.10 feet to the centerline of Dorothy Street;

THENCE departing the centerline of Cold Springs Road, with the centerline of Dorothy Street South 72°55'30" West a distance of 77.35 feet, to the northwesterly line of the Tarrant County Community Service Facility;

THENCE departing the centerline of Dorothy Street, with the northwesterly line of the Tarrant County Community Service Facility the following courses and distances:

North 17°04'30" West a distance of 110.00 feet;

South 72°55'30" West a distance of 6.72 feet;

North 17°04'30" West a distance of 110.00 feet;

South 72°55'30" West a distance of 43.17 feet;

North 17°04'30" West a distance of 146.17 feet;

South 88°55'30" West a distance of 65.90 feet;

North 01°04'30" West a distance of 120.00 feet;

South 88°55'30" West a distance of 100.00 feet;

North 01°04'30" West a distance of 120.00 feet;

South 88°55'30" West a distance of 120.00 feet;

North 01°04'30" West a distance of 120.00 feet;

North 88°38'40" East a distance of 121.00 feet;

North 01°04'30" West a distance of 119.02 feet;

THENCE departing the northerly line of the Tarrant County Community Service Facility North 88°58'34" East a distance of 206.72 feet;

THENCE South 01°18'05" East a distance of 67.92 feet;

THENCE North 88°41'55" East a distance of 140.71 feet to the POINT OF BEGINNING.
Containing a computed area of 210,343 square feet or 4.829 acres.

END OF EXHIBIT "A"

"ADDENDUM"

ATTACHED HERETO AND MADE A PART OF THAT CERTAIN PAID UP OIL AND GAS LEASE BY AND BETWEEN DAVID H. MURDOCK dba THE INTERNATIONAL MINING COMPANY, AS LESSOR, AND CHESAPEAKE EXPLORATION, L.L.C., AS LESSEE, EFFECTIVE AUGUST 18, 2008

It is expressly agreed that the provisions of this Addendum shall supersede any portion of body of this Lease, which is inconsistent herewith, and the body of this Lease to which this Addendum is attached, is in all things subrogated to the express and implied terms and conditions of this Addendum.

I. EXCEPTIONS AND RESERVATIONS

A. **Reserved Substances.** Notwithstanding anything herein to the contrary, there is excepted herefrom and reserved to the Lessor herein, all iron ore, coal, lignite, coal bed methane gas, uranium, fissionable materials, and all bentonite, fullers earth and other clay-like substances and all other substances except oil and gas. It is specifically understood and agreed that this Lease covers only oil and gas, including associated liquid, liquefiable or gaseous hydrocarbons as well as such other minerals that may be produced incidental to and as a part of or mixed with such oil and gas, including associated liquid, liquefiable or gaseous hydrocarbons, and the words "oil and gas," or "oil or gas" when used herein, shall mean such substances only.

B. **Reserved Depths.** At the end of the primary term of this lease, this lease shall terminate as to all depths above and below the stratigraphic interval as set forth in the Unit Designation for the applicable Gas Unit.

II. Retained Units At End of Primary Term; Extension for Continuous Development

A. Notwithstanding any provision hereof to the contrary, upon the expiration of the primary term, if Lessee (i) is not then engaged in drilling operations for a well on the lands covered hereby, or (ii) has not completed drilling operations for a well on such lands within 180 days prior to the last day of the primary term (regardless of whether such well was completed as a well capable of production in paying quantities), this Lease shall terminate as to all lands that are not then allocated as Retained Units in accordance with Section II.C below to wells capable of production in paying quantities located on the lands covered hereby, and, in the case of each Retained Unit, as to all depths above and below the stratigraphic interval from which the well located on the relevant Retained Unit was drilled.

B. Notwithstanding any provision hereof to the contrary, upon the expiration of the primary term, if Lessee (i) is then engaged in drilling operations for a well on the lands covered hereby, or (ii) has completed drilling operations for a well on such lands within 180 days prior to the last day of the primary term (regardless of whether such well was completed as a well capable of production in paying quantities), this Lease shall remain in full force and effect as to all of the lands and subsurface intervals covered thereby for as long as Lessee continues to conduct drilling operations for one or more additional wells on such lands with no delay of more than 180 days between the completion of operations on one well (regardless of whether such

well was completed as a well capable of production in paying quantities) and commencement of drilling operations for the next well (the "Continuous Development Period"). The Continuous Development Period shall expire when, after completing operations for a well during the Continuous Development Period, Lessee fails to commence drilling operations for at least one additional well on the lands covered hereby within 180 days thereafter. Upon the expiration of the Continuous Development Period, this Lease shall terminate as to all lands that are not then allocated as Retained Units in accordance with Section II.C below to wells capable of production in paying quantities located on the lands covered hereby, and, in the case of each Retained Unit, as to all depths lying below one hundred feet (100') below the deepest producing horizon to which the well located on the relevant Retained Unit is producing.

C. For purposes of this Lease, the term "Retained Unit" means: (i) with respect to wells located on pooled units consisting, in part, of lands covered by this Lease, the relevant pooled unit; and (ii) with respect to each well located on the lands covered hereby that is not included in a pooled unit, a quantity of acreage surrounding such well that is not in excess of the minimum surface acreage required to be allocated to such well by the Railroad Commission of Texas to obtain a full monthly production allowable. Whenever Retained Units are designated under the terms of this Lease, Lessor and Lessee shall file of record notices of the designation of such Retained Units which contain legally sufficient descriptions thereof. Notwithstanding anything to the contrary contained herein, the filing of such notice is not a prerequisite to the termination of all rights outside the Retained Units provided in Section II, but is required to clarify of record the rights of the parties.

D. From and after the end of the primary term or the Continuous Development Period, if later, it shall be considered that each Retained Unit is subject to a separate lease, on the same terms and provisions contained in this Lease, so that production, operations and/or payments on one Retained Unit will not maintain this Lease in force as to any other Retained Unit. Notwithstanding anything herein to the contrary, Lessee shall have the continuing duty to develop the leased premises and Retained Units as would a prudent operator.

E. If, after the end of the primary term or Continuous Development Period, if later, and after oil or gas is produced from any Retained Unit, or from lands pooled therewith, the production thereof should cease from any cause, this Lease shall not terminate if Lessee commences operations for drilling or reworking within 60 days after the cessation of such production, but shall remain in force and effect so long as such operations are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from said Retained Unit or from lands pooled therewith.

III. ROYALTY/SHUT IN

A. Affiliated Sales. When the Lessee or an entity affiliated with Lessee is the purchaser of the oil or gas (including, without limitation, casinghead gas or other gaseous substances) produced and saved from the lands covered hereby and sold on or off such lands, the royalties payable to Lessor shall be one-fourth (1/4th) of the greater of (i) the highest price obtainable (defined below), or (ii) the proceeds received by Lessee from such affiliated entity. For gas (including, without limitation, casinghead gas or other gaseous substances), such highest price obtainable shall be the price per MMBtu set forth in the first edition of Inside F.E.R.C.'s

Gas Market Report (The McGraw-Hill Companies, Inc.) published for the month of production in the table styled "Prices of Spot Gas Delivered to Pipelines" for the pricing point geographically closest to such lands. If, while this Lease remains in effect, either Lessor or Lessee believes such publication is no longer representative of the market for such area or production, or if such publication ceases to be published, then the parties agree to select a different publication; provided that if such agreement cannot be reached, the parties agree to submit the selection of the new publication to any oil and gas professor at the University of Oklahoma School of Law whose decision shall be binding. For oil, such highest price obtainable shall be the highest posted market price in the field where such oil is produced as of the day such oil is run to the pipeline or storage tanks..

B. Special Rule for Calculation of Royalty on Treated Gas. The term "amount realized" as used in the body of this Lease shall have the following meaning when applied to any gas produced from the leased premises or from any lands pooled or combined therewith that is treated or processed by a third party for the removal or recovery of hydrogen sulfide, sulphur, carbon dioxide, nitrogen or other non-hydrocarbon substances contained in the produced gas ("Treated Gas"). With respect to any and all Treated Gas, the value of Lessor's royalty share of such Treated Gas shall be calculated after deduction of any and all direct and actual charges or costs paid by Lessee to an unaffiliated third party for the gathering, treating, compressing or processing of the Treated Gas.

C. Term of Marketing Arrangements. Lessee and any subsidiary or affiliate of Lessee shall, at all times, exercise due diligence in the marketing of all oil and/or gas produced or derived from the lands. Without first obtaining the written consent of Lessor, which shall not be unreasonably withheld or delayed, Lessee shall not market any production from the lands under a contract with a term in excess of two (2) years. Lessor hereby is granted the right to present to Lessee any other purchase or marketing agreements for production from the lands that Lessor deems appropriate. Lessee agrees to consider such agreements but may reject or refuse to enter into same, in its sole discretion.

D. Limitation on Maintenance by Shut In Royalty Payments. This Lease may not be maintained solely by the payment of shut-in royalty after the end of the primary term for a period of more than one (1) consecutive year.

E. Division Orders. Lessee is obligated to furnish, or cause to be furnished, to Lessor, within 30 days from the date of first sales of oil and/or gas produced from the lands, a division order reflecting Lessor's interest in production. Lessee shall use reasonable efforts to cause the purchaser of oil produced from the lands pursuant to this Lease to issue division orders covering royalty on such oil production substantially in the form set forth in Section 91.402(d) of the Texas Natural Resources Code, adjusted to reflect the applicable terms of this Lease; provided, however, that if Lessee is the purchaser of such oil production or the issuer of the division order to Lessor covering royalty thereon, such division order shall be substantially in the form set forth in such statute, adjusted to reflect the applicable terms of this Lease. Division orders covering royalty on gas production shall conform with the terms of Section 91.402(c) of the Texas Natural Resources Code, adjusted to reflect the applicable terms of this Lease. Any terms included in a division order issued to Lessor by Lessee that conflict or are otherwise

inconsistent with the applicable terms of this Lease or Section 91.402 of the Texas Natural Resources Code shall be of no force and effect. Within 60 days of receipt of Lessor's executed division order, Lessee, to the extent Lessee has received payment from the purchaser of production, shall furnish Lessor with an accounting and a check in payment of royalties accruing from the period of first sale of production to the last day of the preceding month. Thereafter, all accountings and payments shall be made or tendered on or before the 30th day after Lessee receives payment for such production from the purchaser. Lessor's acceptance of royalty payments which are past due shall not act as a waiver or estoppel of Lessor's rights to receive or recover any and all interest due on unpaid royalties unless Lessor expressly waives, in writing, the right to receive the interest. All past-due payments shall bear simple annual interest at the rate of 10%.

F. **Payment of Royalties for Split Stream Sales.** If, by reason of assignments of undivided interests in Lessee's interest in this Lease, more than one (1) party becomes entitled to a portion of Lessee's share of gas produced from any well on the lands, and if any or all of such co-owners elect to take their share of gas in kind, resulting in split-stream deliveries of gas to different purchasers, Lessor shall be entitled, at Lessor's election, to require the operator of the lands to pay and account to Lessor for all royalties due on gas production from the well or wells from which split-stream deliveries are being made, so that Lessor shall not be required to receive royalties from more than one (1) purchaser or party on the same gas stream. If Lessor exercises such election, the operator of the lands (or of that portion of the lands upon which the split-stream production is located) shall pay to Lessor all royalties due on such gas production and shall provide production statements from all purchasers of such gas showing the amounts sold and the price paid therefor with any applicable adjustments. Such election, if made, shall not relieve any party otherwise liable for payment of royalties from such liability, and all parties owning undivided interests in all or any portion of this Lease shall be and remain jointly and severally liable for the payment of all royalties due on production therefrom. Notwithstanding the foregoing, Lessee shall have no liability in favor of Lessor (other than Lessee's obligation to royalty to Lessor hereunder) if a party other than Lessee or any affiliate of Lessee is the operator of the lands (or the portion of the lands upon which the split-stream production is located) and such third-party operator fails to comply with covenants set forth in this Section III.F.

IV. POOLING

A. **Pugh Clause.** In the event a portion or portions of the land herein leased is pooled or unitized with other lands so as to form a pooled unit(s), operations on or production from such unit(s) will maintain this Lease in force only as to the land included in such unit(s). The Lease may be maintained in force as to any land covered hereby and not included in such unit(s) in any manner provided for herein.

B. **Declaration of Pooling or Unit.** If a gas well is located upon any acreage covered by this Lease, then no pooled unit or units created by combining and pooling of portions of this Lease with other acreage shall be effective until a Declaration of Pooling or Designation of Unit, describing the land included in the pooled unit or units, the depths or strata covered thereby and the leases and owners of such land, is executed by Lessee, and recorded in the office of the County Clerk of the County or Counties where the leased premises are located, and served

on Lessor. If pooling is first accomplished with a gas well which is located upon any acreage not covered by this Lease, then pooling of this Lease shall be effective upon the date of first production and royalties shall be allocated and paid on a pooled basis from the inception of production from such any well situated upon lands included in such pooled unit.

V. OPERATIONS & WELLS

A. For purposes of this Lease, the following definitions shall control:

- (1) **"Commencement" of a Well.** The drilling of a well shall be deemed to have "commenced" only if and when a derrick, rig and machinery capable of drilling to the objective depth have been erected, such well has been spudded in and actual drilling has commenced, and the earth is being disturbed by such drilling.
- (2) **"Completion" of a Well.** A well shall be deemed to have been "completed" for purposes of this Lease when the drilling rig has moved from the location, or such drilling rig ceases to perform activities directly related to drilling operations, whichever is earlier.
- (3) **"Reworking Operations".** The term "reworking operations" as used in this Lease means actual work in the hole of a well, prosecuted with reasonable diligence and in a good workmanlike manner in an attempt to recomplete or repair such well to restore it to production or to enhance production from such well, on the lands. Reworking operations shall not apply to any activity off of the lands.
- (4) **"Operations".** Whenever in this Lease the Lessee shall be required to be "engaged in operations" or "drilling operations", the term "operations" shall mean the physical engagement of Lessee in the actual drilling or reworking of a well, or the actual performance of other operations on the lands, in each case for the purpose of establishing or re-establishing the production of oil, gas or constituent hydrocarbons. No other activity will be considered as or deemed to be "operations", as that term is used herein.

VI. ASSIGNMENT

A. The rights of Lessee under this Lease may be assigned in whole or in part; provided that no rights hereby granted to Lessee shall be assignable without the prior written consent of Lessor, which consent may not be unreasonably withheld or delayed. Lessor's consent to any assignment shall not constitute consent to any other assignment. Any assignment made without Lessor's consent shall be void and shall constitute a material breach of this Lease. Lessee shall furnish to Lessor a copy of any assignment made pursuant to this section, with the recording data reflected thereon. The assignment of this Lease or any part thereof shall not relieve Lessee, its assignees, or any subassignees of any obligations hereunder, theretofore accrued or to accrue in the future; and any assignee of Lessee shall, by acceptance of such assignment, be bound by all terms and provisions hereof. The term "assignment" as used herein, shall include, without limitation, any sublease, farm out, operating agreement, or any other agreement by which any share of the operating rights granted by this Lease are assigned or

conveyed or agreed to be assigned or conveyed, to any other party, or by transference of stock of its corporation or ownership interests in a partnership, limited liability company, or other business entity. If the proposed assignee is not a public company, Lessee agrees to furnish data as to qualifications of any assignee or reimburse Lessor for acquiring such data to assist Lessor in determining whether to grant such consent.

VII. BREACH/DEFAULT

A. **Acceptance of Payment Not Waiver or Ratification.** Neither the acceptance of royalties, delay rentals, shut-in royalties or other payments by Lessor (regardless of any notation thereon or instrument accompanying same), nor Lessor's execution of any division order or transfer order or similar instrument, shall ever constitute or be deemed to effect (a) a ratification, renewal or amendment of this Lease filed by Lessee purporting to exercise the pooling rights, if any, granted to Lessee in the Lease, or (b) a waiver of the rights granted to Lessor, or the obligations imposed upon Lessee, express, or implied, by the terms of this Lease, or remedies for Lessee's breach thereof, or (c) an estoppel against Lessor preventing Lessor from enforcing Lessor's right or Lessee's obligations hereunder, express or implied, or from seeking damages for Lessee's breach thereof. Lessor's agreement to accept royalties from any purchaser shall not affect Lessee's obligations to pay royalties pursuant to this Lease. No instrument executed by Lessor shall be effective to constitute a ratification, renewal, extension or amendment of this Lease unless the instrument is clearly titled to indicate its purpose and intent.

B. **Notice of Default, Lessee's Right to Remedy Default, Attorney Fees and Interest.** If Lessee violates, fails to perform or breaches any terms or covenants in this Lease, Lessor shall notify Lessee in writing of the violation, failure, or breach. Lessee shall have a period of 60 days from the date of its receipt of Lessor's written notice, in which to remedy the violation, failure, or breach. The delivery of such notice shall be a condition precedent to the bringing of an action by Lessor under this Lease for any cause, and no such action shall be brought until the expiration of sixty (60) days after the delivery of such notice to Lessee. Neither the delivery of such notice nor Lessee's performance of any acts aimed to remedy all or any of the alleged breaches shall be deemed an admission or create a presumption that Lessee has failed to perform its obligations hereunder. In addition to any other remedy granted herein, if Lessee fails to remedy such breach or default within the 60-day period or if such breach or default involves any environmental or regulatory issue, Lessor is hereby granted the right to remedy such breach or default after giving five (5) days notice of such intent. Lessee agrees to pay any and all reasonable damages, costs or expenses incurred by Lessor, including, but not limited to attorney's fees, within five (5) days of Lessor's presentation to Lessee of same. However, if Lessee disputes such breach or default, it shall notify Lessee within the five (5) day notice period, after which Lessor may initiate litigation. If litigation is pursued and a final judicial determination is made in favor of Lessor, Lessee shall be liable for any and all reasonable costs and expenses incurred by Lessor in enforcing the terms of this Lease, including attorney's fees and interest on all money expended by Lessor to remedy such breach or default (if applicable) at the simple annual rate of 18%, or the highest rate allowed pursuant to applicable law, whichever is greater.

VIII. WARRANTY

A. **Disclaimer of Title Warranties.** Lessee takes this Lease subject to the rights of any outstanding or subsequent surface lease or leases, and any existing or future modifications or renewals thereof. Lessee hereby releases and forever discharges Lessor from any and all liability for damages by reason of want or failure at any time of title or possession on the part of Lessor to all or any part of the land. Notwithstanding anything to the contrary contained in this Lease, this Lease is made without warranty of title of any kind whatsoever, express, implied or statutory, and without recourse, even as to the return of the bonus, rentals, royalties or other consideration, but with full substitution and subrogation of Lessee, and all persons claiming by, through and under Lessee, to the extent assignable, in and to all covenants and warranties by Lessor's predecessors in title and with full subrogation of all rights accruing under the statutes of limitation or prescription. Any covenants or warranties implied by statute or law by the use of the word "grant" or other similar words in this Lease are hereby expressly disclaimed, waived and negated. Without limiting the generality of the foregoing, Lessor does not represent that it owns any surface rights (including, without limitation, any surface rights normally associated with or incidental to a mineral interest) with respect to the land. Lessee further releases and discharges Lessor from any obligation to secure any curative deeds or other instruments to clear or strengthen the title to the land.

B. **Bonus and Adjustment of Bonus.** Contemporaneous with the execution and delivery of this lease, Lessee shall pay Lessor a bonus equal to \$2,000.00 for each net mineral acre of land included in the leased premises, calculated based on 64.237 net mineral acres. Should the lands described on Exhibit A contain more than 64.237 net mineral acres, all bonuses relating thereto shall be increased to account for the additional acreage. No adjustment shall be made if the lands described on Exhibit A contain less than 64.237 net mineral acres.

IX. DUTIES AND RELATIONSHIPS

A. **Prudent Operator Standard.** Lessee shall owe a duty of a prudent operator to Lessor in the development, operation, production, and marketing of oil and gas from the lands. Lessee shall owe a duty of a prudent operator to Lessor in the plugging and abandoning of oil and gas wells on the lands, and in the restoring of the lands to their original condition. Production of any one mineral will not relieve Lessee of its obligation to develop and produce any other minerals covered by this Lease, which can be produced from the lands in paying quantities. Lessee shall have a duty of a prudent operator to Lessor with respect to Lessor's royalty.

B. **Multiple Owners of Leasehold.** If more than one party becomes a working interest or leasehold owner of this Lease, all liabilities and obligations of the parties as Lessee hereunder shall be joint and several.

C. Indemnification of Lessee. Lessee agrees to indemnify, protect and hold harmless Lessor, its heirs, representatives, successors and assigns, of and from any and all claims, demands, losses, causes of action, damages, liabilities and costs (including, but not limited to attorney's fees, expert's fees and court costs) (collectively herein called "Claims"), arising out of injury to persons (including death), injury or damage to or loss of any property (real or personal) or improvements, remedial obligations, or violations of law caused by Lessee, its agents, employees, servants, contractors or any person acting under its direction or control, or arising out of, or incidental to, or resulting from the operations or obligations of or for the Lessee. Such Claims include any and all expenses, penalties, fines, response costs or clean-up costs arising out of or by virtue of any environmental law, common law (whether arising in tort, contract or strict liability), statute, rule, regulation, order, or judicial decision (whether state, federal or local) arising out of or incidental to Lessee's operations of or in connection with the Lease. For purposes of this section, "Lessee" shall include its agents, employees, servants, or independent contractors or any person or entity acting under Lessee's direction or control. **SUCH CLAIMS FOR WHICH LESSOR IS INDEMNIFIED HEREUNDER SHALL ALSO INCLUDE, WITHOUT LIMITATION, ANY COST OR EXPENSE ARISING OUT OF, OR INCIDENTAL TO, OR RESULTING FROM ANY THEORY OF STRICT LIABILITY OR FROM ANY SOLE, JOINT OR CONCURRENT NEGLIGENCE ACT OR OMISSION OF LESSOR, ITS AGENTS, SERVANTS, OR EMPLOYEES, WHETHER SAID ACT OR OMISSION IS THE PROXIMATE CAUSE OF INJURY OR NOT (EXCEPT AGAINST LOSS OR LIABILITY FOR DAMAGE THAT IS CAUSED BY OR RESULTS FROM THE NEGLIGENCE OF LESSOR, ITS AGENTS, SERVANTS, OR EMPLOYEES OR AN INDIVIDUAL CONTRACTOR DIRECTLY RESPONSIBLE TO LESSOR).** Lessee further covenants and agrees to defend any suits brought against Lessor on account of said claims and to pay such judgments against or losses of Lessor resulting from any such suit or suits together with all costs and expenses relative to any such suit or suits together with all costs and expenses relative to any such claims, including reasonable attorney's fees. Lessor shall have the right to participate in the defense of any suit or claim in which it may be a party without relieving Lessee of its obligations hereunder.

D. Lessee's Insurance. Without limited Lessee's duty to indemnify, Lessee agrees to carry bodily injury and property damage insurance sufficient to protect Lessor from all hazards arising from Lessee's operations hereunder, but without limitation of same, during the term of this Lease, Lessee shall, at its expense, maintain such insurance in force and effect at a minimum as follows:

- (1) Worker's Compensation insurance in full compliance with all applicable state and federal laws and regulations.
- (2) Employer's Liability insurance, including coverage for occupational disease, with limits of \$1,000,000 per accident, \$1,000,000 per employee for disease..
- (3) Commercial General Liability insurance written on a standard ISO occurrence form (or a substitute form providing equivalent coverage) with combined single

limits per occurrence/\$2,000,000 for Bodily Injury and Property Damage, including Property Damage by Blowout and Cratering, coverage for dust or soil erosion, subsidence, underground resources and equipment hazard, XCU, Completed Operations, and Broad Form Contractual Liability as respects any contract into which the Operator may enter under the terms of this Agreement. The policy shall include a severability of interest clause providing that the coverage applies separately to each insured except with respects to the limits of liability.

- (4) Business Automobile Liability insurance covering any auto, including owned, non-owned and hired automotive equipment with limits for Bodily Insurance and property damage of \$1,000,000 per accident.
- (5) Umbrella liability insurance with limit of \$10,000,000 per occurrence and coverage shall be at least as broad as underlying insurance requirement.

Such policies shall name Lessor, to the extent of his interest, and Lessee as insureds and shall be issued by a company reasonably acceptable to Lessor and shall be non-cancelable without thirty (30) days' prior written notice to Lessor. Duplicate copies of such policies or certificates evidencing such coverage shall be promptly furnished to Lessor.

E. Compliance with Laws, and Environmental Matters. Lessee shall act as a prudent operator and use all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, storm water, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under, or about the land, by any waste, pollutant, or contaminant including, without limitation, sediment in storm water. Lessee shall not bring or permit to remain on the premises any explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances, or toxic substances under any federal, state, or local law or regulation ("Hazardous Materials"), except products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. Lessee shall operate the properties as a prudent operator and comply with all laws, rules, regulations and orders of any governmental authority having jurisdiction concerning the operations and activities of and by Lessee or concerning any obligations under this Lease. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction ("Laws") over any of the obligations or activities under this Lease and any actions by Lessee including, without limitation, regulation of discharges of pollutants or contaminants to air, land, and water, including the discharge of storm water from Lessee's land disturbance activities and operations hereunder. Lessee shall clean up, remove, remedy and repair any soil or ground water contamination and damage caused by the presence or release of any Hazardous Materials in, on, under, or about the land related to Lessee's operations on the land. The obligations of Lessee hereunder shall survive the expiration or earlier termination, for any reason, of this Lease.

F. Removal of Equipment on Termination. Lessee has the right at any time during the term of this Lease or within 180 days after the expiration, termination, or release of this Lease, or any part thereof, to remove, as applicable, all of its recoverable casing (except water well casing), machinery and fixtures unless specifically indicated otherwise herein, including without limitation, gates or roadtiles. If Lessee fails to remove its property within the 180-day period, title to it shall become vested automatically in Lessor, free of all liens, or Lessor may remove such items at Lessee's expense, at the sole option of Lessor. Lessee agrees to pay such charges within five (5) days of presentment by Lessor.

X. REGULATIONS

A. Representation and Refunds. It is expressly provided that in the event of any proceeding or hearing before a regulatory agency or any governmental body, or any court, having jurisdiction of any question pertaining to the lands, and particularly with respect to the price or value of any oil or gas produced under or by virtue of this Lease, that Lessee shall not undertake to make any appearance for, file any pleadings or information for, or otherwise attempt to represent Lessor, either singularly or collectively, before such agency, body or court, unless specifically authorized to do so in writing. Furthermore, if by reason of such proceeding or hearing, it is determined that Lessee has violated laws or regulations regarding the price or value of any minerals produced from the lands, resulting in any overpayment to the producer and royalty owners so as to require a refund of overpayments to any purchaser of such minerals, then Lessee shall make all such refunds for such overpayments, and may recover any of such amounts from the royalty owners under this Lease to the extent of mistake or bona fide error, or due to governmental authority, but may not recover any of such amounts as may be attributable to the conduct of Lessee giving rise to fine, penalty, or interest. However, if Lessor chooses to take its royalties on oil in kind as provided herein, Lessee shall have no responsibility regarding refunds required from Lessor as to such oil taken by Lessor in kind.

B. Offset Operators or Owners. With respect to any adjacent land not owned by Lessor, Lessee shall neither consent to nor waive notice of any hearing or application by any offset operator or mineral owner with respect to the exception to or the operation of any rule or regulation of the Railroad Commission of Texas, including, without limitation Statewide Rules 37 and 38. Such rights are specifically reserved to Lessor.

C. Drilling of Offset Wells. Lessee shall have an affirmative duty to seek a Rule 37 and/or Rule 38 exemption, in order to prevent drainage, and an affirmative duty to drill an offset well to protect the land against drainage as would a reasonably prudent operator under the same or similar circumstances.

D. Well Locations on Irregular Tracts. If, after the partial termination or release of this Lease occurs, there is any small or irregularly shaped tract or acreage (all or part of which was previously included in the lands) for which Lessor or its assigns desire to obtain from the Texas Railroad Commission, or any other agency having jurisdiction over the drilling of wells, an exception from any rules dealing with the location of a well on the released tract or acreage (including, but not limited to, well spacing, a Rule 37 exception, and well density requirements), Lessee agrees to waive appearance and agrees not to protest any application of Lessor or its

assigns for exception to any such rules of the Texas Railroad Commission or other agency; provided such Rule 37 exception does not conflict with existing production of Lessee.

E. **Notice of Amendment of Field Rules.** Lessee shall not attempt, through application, petition or otherwise to establish, alter, or amend in any way, field rules which pertain to the lands, or any part thereof, without giving prior written notice to Lessor by certified mail of such an attempt.. Lessee shall notify Lessor of any application by any third party or parties affecting the lands for field rules or similar regulatory action.

F. **Other Regulatory Action.** Lessee shall notify Lessor of any regulatory action taken by or against Lessee regarding the lands or any reservoir underlying the lands.

XI. LESSOR'S RIGHTS

A. **Audit Rights.** Lessor shall have the right to audit the accounts and records of Lessee, its successors and assigns on all matters relating to the lands or this Lease. Such right shall also extend to any contract operators or similar arrangements and any affiliates who are purchasing oil and gas or assisting with operations or the supplies or services therefor. This right may be exercised from time to time by giving Lessee reasonable notice. Any audit shall be conducted during normal business hours. No adjustment or correction shall be made and all records and payments shall be conclusively presumed to be final unless (i) notice specifying the error or inaccuracy is given within three (3) calendar years from the end of the calendar year during which such error or inaccuracy occurred, or (ii) the records provided to Lessor do not disclose the information supporting such payment, adjustment or correction.

B. **Lessee's Rights to Information and Records, and Access to Operations.** Lessee agrees, upon request by Lessor, to immediately furnish Lessor, or its authorized representatives, full and complete information with respect to (1) all operations on the lands and the production of oil, liquid hydrocarbons, gas, and their respective constituent products, including, but not limited to, samples of all cores, drill stem test results, electrical logs, and all other information pertaining to formations, zones and sands under the lands, (2) land surveys and title opinions, abstracts, production reports, run tickets, meter runs, sales records, applications and reports made to any governmental agency or authority, and orders, rules or permits issued by any such agency or authority affecting the lands. Lessor and its authorized representatives upon prior notice to Lessee shall have full right of ingress and egress to the lands for the purpose of inspecting drilling or production operations, and for any and all other purposes which Lessor may consider necessary or advisable at all times, at Lessor's sole risk, including without limitation, the right to inspect the derrick floor of all wells drilled on the lands as well as all other operational areas around equipment and structures located on the lands. Lessor and its representatives shall have the right, during normal business hours, to inspect, examine, make copies of, and extracts from Lessee's books, records, accounts, contracts, commitments, and agreements related to the lands, and all operations or production on or from the lands. With Lessee's prior written consent (which consent shall not be unreasonably withheld or delayed) Lessor shall have the right to share any information obtained hereunder with any third party. Prior to sharing such information, the third party must be bound by a confidentiality agreement acceptable to Lessor and Lessee and under which Lessee has rights of enforcement and remedies. Lessee hereby releases and forever discharges the Lessor from all manner of actions, causes of

action, suits, controversies, and damages whatsoever which now or hereafter arise out of or relate to the presence of the Lessee, its agents and employees on or about the lands or the subject matter of this Lease, WHETHER OR NOT CAUSED BY OR RELATED TO THE NEGLIGENCE OR CONCURRING NEGLIGENCE OF THE LESSOR, HIS AGENTS OR EMPLOYEES, OR OTHERWISE. For purposes of the foregoing release, "Lessor" shall include its agents, employees, servants, or independent contractors or any person or entity acting under Lessee's direction or control

XII. NOTICES and PAYMENTS

A. Notices. Any notice or other communication permitted or required by the terms of this lease shall, unless otherwise specified, be deemed properly given if in writing and personally delivered or mailed, postage prepaid, by United States mail, addressed to the parties listed below as representatives of both Lessor and Lessee, respectively, at the appropriate address or addresses designated below, or to such other party or address as may be designated by either Lessor or Lessee, in writing, to the other party.

Lessor: International Mining Company
10900 Wilshire Blvd., Suite 1600
Los Angeles, CA 90024
Attn.: Julie Kheav

Lessee: Chesapeake Exploration, L.L.C.
P.O. 18496
Oklahoma City, Oklahoma 73154
Attn.: Henry J. Hood

B. Payments to Lessor. Until further notice to Lessee by Lessor, all payments, bonuses, royalties or other amounts shall be made payable to the order of David H. Murdock d/b/a International Mining Company and shall be addressed to International Mining Company, 10900 Wilshire Blvd., Suite 1600, Los Angeles, California 90024, Attention: Julie Kheav.

XIII. MISCELLANEOUS

A. Time of the Essence. Time is of the essence with respect to the performance by either party of the duties and obligations set forth herein.

B. Headings, Usage of Terms and Attachments. Headings of sections and paragraphs are included in this instrument for convenience of reference and shall in no way define, limit, extend or describe the scope or intent of any provision hereof. All references in this Lease to articles, sections, subsections, paragraphs and other subdivisions refer to corresponding articles, sections, subsections, paragraphs and other subdivisions of this Lease unless expressly provided otherwise. Titles appearing at the beginning of any of such subdivisions are for convenience only and shall not constitute part of such subdivisions and shall be disregarded in construing the language contained in such subdivisions. The words "this Lease", "this instrument", "herein", "hereof", "hereby", "hereunder" and words of similar

import refer to this Lease as a whole and not to any particular subdivision unless expressly so limited. Unless the context otherwise requires: "including" and its grammatical variations mean "including without limitation"; "or" is not exclusive; words in the singular form shall be construed to include the plural and vice versa; words in any gender include all other genders; and references herein to any instrument or agreement refer to such instrument or agreement as it may be from time to time amended or supplemented. All references in this Lease to annexes, exhibits, or schedules refer to annexes, exhibits, and schedules to this Lease unless expressly provided otherwise, and all such annexes, exhibits and schedules are hereby incorporated herein by reference and made a part hereof for all purposes.

C. **Covenants Running with the Land.** All the covenants and agreements of Lessee herein contained shall be deemed to be covenants running with Lessee's interest in the lands. All of the provisions hereof shall inure to the benefit of Lessor and Lessee and their respective successors and assigns and shall be binding upon Lessor and Lessee and their respective successors and assigns.

D. **Additional Provisions Relating to Force Majeure Extensions.** The extension of this Lease despite delaying causes as set forth in Paragraph 10 of the body of this Lease shall not be available until Lessee provides Lessor with written notice of the delaying clause. Further Lessee shall provide Lessor written notice within 5 days of the date on which the delaying cause ceases to exist of such cessation. Paragraph 10 of the body of this Lease shall only apply to extend this Lease up to one (1) consecutive year at a time.

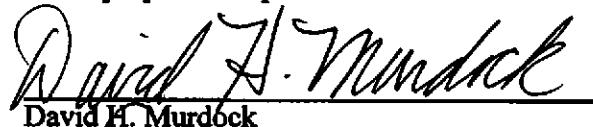
E. **Execution.** This Lease shall become effective only if and when executed and delivered by the Lessor and Lessee, provided that, the execution and delivery by the Lessee of this Lease to the Lessor or his agent shall constitute an irrevocable offer by the Lessee to lease on the terms and conditions herein contained, which offer may not be withdrawn or revoked for thirty (30) days after such execution and delivery.

F. **Release on Termination.** If and when this Lease shall have terminated by its own terms, then the Lessee agrees to execute and deliver to Lessor promptly (but in no event later than sixty (60) days after written request by Lessor) a copy or copies of an appropriate recorded instrument or instruments evidencing such release and cancellation.

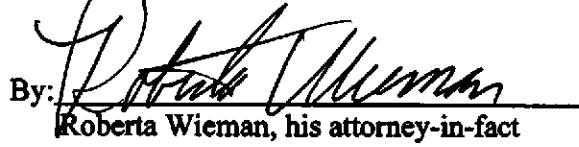
SIGNED FOR IDENTIFICATION:

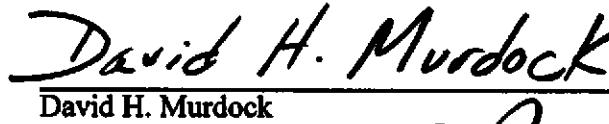
LESSOR:

DAVID H. MURDOCK dba
INTERNATIONAL MINING COMPANY,
a sole proprietorship

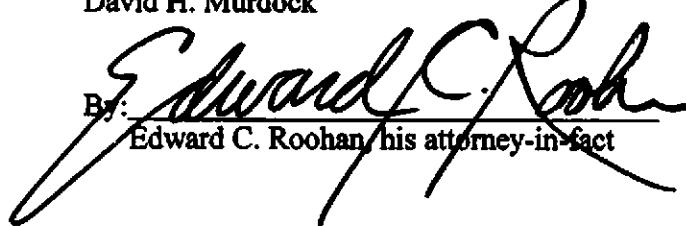

David H. Murdock

David H. Murdock

By: 
Roberta Wieman
Roberta Wieman, his attorney-in-fact


David H. Murdock

David H. Murdock

By: 
Edward C. Roohan
Edward C. Roohan, his attorney-in-fact

LESSEE:

CHESAPEAKE EXPLORATION , L.L.C.

By: 
Henry J. Hood, Senior Vice President -
Land and Legal & General Counsel


HH

Record & Return to:
Chesapeake Operating, Inc.
P.O. Box 18496
Oklahoma City, OK 73154